

**AGENDA – November 17, 1999 Business Taxes Committee Meeting**  
**Proposed Plan for Centralizing Southern California Special**  
**Investigations Section Staff in Norwalk**

|   |  |
|---|--|
| <b>Action 1 –<br/>Classification of Staff</b> | Approve either: 1) Staff’s proposal to utilize the new Investigations Specialist classification;<br>or<br><br>2) CSEA’s proposal to continue to use the current audit and compliance series unless the new series is in Bargaining Unit 1..  |
| <b>Action 2 –<br/>Location of Offices</b>     | Approve either: 1) Staff’s proposal that there be two offices in Southern California; one in Norwalk and one in Riverside; or<br><br>2) The alternative to centralize the Southern California operations into one location in Norwalk; or<br><br>3) The alternative to maintain current locations in Riverside and Torrance. |

**AGENDA – November 17, 1999 Business Taxes Committee Meeting**  
**Proposed Plan for Centralizing Southern California**  
**Special Investigations Section Staff in Norwalk**

| Action Item   | Staff's Position   | Interested Parties' Position  |
|---|--|---|
| <p><b>ACTION 1,</b></p> <p><b>Classification of Staff</b></p> | <p>Staff recommends utilizing the new Investigations Specialist classification. Staff believes this classification is needed in order for staff to be able to accomplish all the tasks of conducting criminal investigations. The utilization of audit and compliance positions limits the work that can be done by each classification.</p> <p>Staff also believes that this new position recognizes the unique work done by these employees and if approved as proposed, will help with recruitment and retention.</p>                                 | <p>CSEA opposes the new classification of Investigations Specialist unless it will be in Bargaining Unit 1, which they represent. CSEA believe that if this classification is adopted, it should be included in the same bargaining unit as other audit and compliance staff.</p>   |
| <p><b>ACTION 2,</b></p> <p><b>Location of Offices</b></p>     | <p>Staff recommends two Southern California offices; one in Norwalk and one in Riverside. Staff believes that this recommendation would provide for better supervisory coverage and communication, and provide greater flexibility in the performing of their duties.</p> <p>Employees who do not wish to commute to the Norwalk office would be provided a job in the Sales and Use Tax Division at the district office they are currently located at, at their current job classification. No employee will be forced to move to the new division.</p> | <p>Some affected Board staff are opposed to the relocation of the Torrance office and believe that the offices should remain where they are currently: Torrance and Riverside.</p> <p>CSEA is concerned that employees will not be competitive against district staff as they have not performed this type of work for some time. CSEA believes that all employees choosing to transfer to the Norwalk office should have their relocation expenses paid.</p> |

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- ☐ Board Meeting
- ☒ Business Taxes Committee
- ☐ Customer Services Committee
- ☐ Legislative Committee
- ☐ Property Tax Committee
- ☐ Technology & Administration Committee
- ☐ Other

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## Investigations Division Office Location and Staffing

### I. Issue

What is the appropriate Southern California office configuration and staffing for the Investigations Division.

### II. Staff Recommendation

Staff recommends having two Southern California locations, one in Norwalk and one in Riverside utilizing the new Investigations Specialist classification. This recommendation accommodates the needs of the staff and will support adequate distribution of caseload.

### III. Other Alternative(s) Considered

1. Centralize the Southern California operations into one location in Norwalk utilizing current audit and compliance classifications.
2. Leave all staff in their current locations and classifications, but reporting to the Chief of the Investigations Division.
3. Centralize the Southern California operations into one location in Norwalk utilizing the new Investigations Specialist classification.

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## **IV. Background**

The Board has been conducting investigations into criminal tax evasion for approximately 9 years. Three sections within the Board in two departments have done this work. These investigations focused on criminal tax evasion in the fuel tax, cigarette tax, and sales and use tax areas and each section operated independently. Much of the work has been done in conjunction with law enforcement entities.

In order to determine whether we were operating efficiently in the investigations area, the Board contracted with the Commission on Peace Officer Standards and Training (POST) to conduct a management review of its four investigative programs, Internal Security and Audit Division (ISAD), Special Investigations Section (SIS), Fuel Taxes Investigation and Enforcement Section (FTIES), and the Cigarette Tax Enforcement Team (CTET). The purpose of this study was to assess the organizational structure and operations of the Board's investigative functions to ensure we were performing high-quality and effective investigations in the most efficient manner possible. The POST review was focused, but not limited, in scope to the following areas:

- Identifying the functions of investigative units.
- Reviewing and making recommendations regarding the present organizational structure of the investigative units.
- Reviewing staffing, present and recommended, including supervisory and management positions.
- Reviewing existing policies, procedures, and investigative practices and techniques.
- Reviewing current training, equipment, workload, and evidence handling practices.

In addition to the focused review, POST made the following assumptions:

- The Board wants to do the most professional job possible with the best staff available.
- The need for assistance from law enforcement will always exist to some extent.
- While law enforcement assistance is required, there are no law enforcement agencies charged and funded to dedicate the resources needed to conduct the criminal investigations and prosecutions of tax evasion for Board administered tax programs.

Upon completion of its study, POST made 48 recommendations that fell into several main categories. More specifically, however, POST recommended that only one Investigations Division, working under a chief that reports directly to the Executive Director, should exist to handle all external criminal tax evasion cases and that the ISAD should remain a separate division. In addition, work procedures should be modified and the Board should seek a new investigator classification with limited peace officer powers under Section 830.11 of the Penal Code for investigative staff. The purpose of the new division would be to consolidate all of the external criminal investigation work under one manager in one division. This would allow for consistency in policy, procedures, and guidelines for the staff and a structure for standardized training for each investigator. In addition, the duties of the new classification would be more in line with the type of work the staff will be required to do. The Board voted on and adopted the general reorganizational and classification concepts in July of 1998. The Board did not adopt limited peace officer powers for the investigative staff within the division.

An analysis of 1998 closed cases indicated that approximately 60%-65% of the case workload is in the southern part of the state and 35%-40% is in the northern part of the state. More specifically, it shows

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that approximately 30% of the workload is in the Los Angeles and Orange Counties alone. With per diem for travel now at approximately \$665 per week per person, a centrally located office or offices in Southern California will allow for the most daily travel and the least amount of per diem travel.

In order to protect the staff, taxpayer information, and the integrity of potential cases, any Investigations Division facility must meet the following requirements:

- The facility must be separate and secure from any other offices, both district staff and others.
- The facility must have secure access and appropriate alarms.
- The facility must have evidence storage required for both records and tobacco products that meets the Board's secured evidence storage requirements and health standards and is on-site for easy access.
- The facility must have secure work areas for both records review and computer forensics.
- The facility must have secure telephone lines and access for the new database being developed for criminal case information.

Based on a review of the current workload, the anticipated increase in work, efficiencies and standardized procedures, and support functions needed for investigations, a conservative estimate of 55 positions are needed for the new Investigations Division made up of investigators, supervisors, and support staff. The investigator positions would be a new classification and would require investigative, compliance, and audit skills. However, the final number of staff will be dependent on the classifications available (investigator or audit/compliance) and the number of offices.

A proposal was presented at the May 13, 1999, Board meeting reflecting these findings (see Exhibit 1). It generated some discussion in the area of staff location and the new classification. Concerns were raised by the California State Employees Association (CSEA) regarding the office locations, the new classification, and relocation of staff. Staff was directed to meet with CSEA and Board Members' staff to discuss these issues. A meeting was held with CSEA and representatives from each Board Member's office and a representative from the State Controller's Office. CSEA had two major concerns. First, CSEA did not want staff forced into a geographical transfer. Second, CSEA wanted no new classification that was not in Unit 1. The Board has given CSEA, in writing, assurance that no one would be forced to move to the new division or the new classification. Any employee who did not want to relocate would be given a position in the office in which they are currently located at the same level.

CSEA remained opposed to the new classification unless it would be in Bargaining Unit 1 as the current positions (audit and compliance) are now. We indicated we could not guarantee what bargaining unit the new classification would be in as that decision was up to the Public Employees Relation Board (PERB). However, we did indicate that the specifications were patterned after other investigative/audit positions that were in Unit 1 and we believed this new position would also be in Unit 1. We also provided CSEA with a copy of the draft specifications for the new classification for its review. As of the date of this paper, CSEA has not changed its position.

To more accurately determine the impact on staff of office locations, a survey was taken of all current Southern California enforcement staff. The survey was used to determine which staff were willing to commute to Norwalk or Riverside locations from their current locations and which were not. The results of the survey are contained in Exhibit 2.

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In addition to the original meeting, there have been ongoing discussions with the Board Members regarding possible office configurations and staffing for the office location in Southern California. The alternatives presented in this paper are a result of input from all of these parties.

## **V. Staff Recommendation**

### **A. Description of the Staff Recommendation**

Staff recommends two Southern California offices. Both offices will utilize a new series classification of Investigations Specialist and Supervisors. One office will be in Norwalk and include an investigation crew, the area administrator and staff. The second office will be located in the current facilities occupied by the FTIES staff in the Riverside State Building, and will include one investigation crew. This plan would utilize part of the current Riverside office with some modifications and would require new facilities to be leased at the Norwalk location.

### **B. Pros of the Staff Recommendation**

1. The facilities will be built or remodeled to meet the needs of the Investigations Division. This will solve the facilities issues regarding access, evidence, confidentiality, etc.
2. Provides for better supervisory coverage and staff communication than other alternatives.
3. Will utilize some current facilities that the Board is currently obligated for.
4. Staff who do not want to commute to the Norwalk office will be accommodated.
5. Some of the facilities costs will be amortized in the lease payments over the life of the lease.
6. Allows for some additional flexibility, if needed, in work assignments due to having two Southern California office locations.
7. The Investigations Specialist classification will promote a cohesive unit, even workload distribution, and recognize the unique type of work being performed by this staff.
8. The Investigations Specialist classification will allow the staff greater flexibility in performing their duties. This will result in a better utilization of the limited law enforcement resources under contract.

### **C. Cons of the Staff Recommendation**

1. Requires additional support staff as compared to some other alternatives.
2. Remodeling and new lease costs will be incurred. Remodeling costs for state owned facilities must be paid lump sum.
3. Total costs over time could be greater than other alternatives.

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4. Some currently leased space in Torrance and Riverside would be vacated.

**D. Statutory or Regulatory Change**

None required.

**E. Administrative Impact**

This alternative will require office relocations and remodeling.

**F. Fiscal Impact**

**1. Cost Impact**

See Exhibit 3. Costs are estimates based on information available at the time this paper was prepared.

**2. Revenue Impact**

No direct revenue impact.

**G. Taxpayer/Customer Impact**

Standardized policies and procedures for investigations will allow for more uniform investigations.

**H. Critical Time Frames**

This issue needs to be decided as soon as possible in order to obtain the desired organizational benefits.

**VI. Alternative 1**

**A. Description of the Alternative**

This alternative would centralize the Investigations Division's Southern California operations into one location in Norwalk. Current classifications of staff would remain unchanged. The office would house two crews of a combination of audit and compliance staff, and would have an area administrator with support staff. At present, there is investigation staff in both the Riverside and Torrance District offices. A survey was conducted to determine employee's willingness to relocate to Norwalk. Eighteen employees were willing to commute to Norwalk. Eight expressed reservations. These eight would be given the option to: 1) transfer to Norwalk; 2) telecommute from the Riverside or Torrance office; or 3) remain in Riverside or Torrance, but transfer to the respective SUTD district office at the same classification. It is our intention to be as accommodating as possible, creating the least amount of adverse impact as possible. There would be no involuntary transfers and relocation expenses would be offered to any of those eight who transfer voluntarily.

**B. Pros of the Alternative**

1. Norwalk is centrally located in Los Angeles County and would provide the most personnel flexibility and best case coverage.

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2. A single Norwalk location would provide for better supervisory coverage and staff communication.
3. The facilities would be built to meet the needs of the Investigations Division. This would solve the facilities issues regarding access, evidence storage, confidentiality, etc.
4. Most facilities costs would be amortized in the lease payments over the life of the lease.
5. All staff would remain at their current level.
6. Staff who do not want to commute to the Norwalk office will be accommodated.

**C. Cons of the Alternative**

1. Utilization of audit and compliance classifications would create workload issues regarding the types of work each classification can do; does not recognize the unique work done by this staff, and may cause recruitment problems in the future.
2. Supervisory ratios and staff makeup may be inappropriate and reclassifications could be required.
3. Relocation expenses must be paid for staff voluntarily transferring.
4. Telecommuting is not viable at this time for investigations staff. There are many issues that need to be addressed such as information security, access to centralized databases from remote locations, etc. Due to the sensitive nature, these issues are not currently addressed in the Board's telecommunications policy. This may be an option at a later date, after the division is formed and these issues can be addressed.
5. Some staff might not transfer.
6. Remodeling and new lease costs would be incurred.
7. Some currently leased space in Torrance and Riverside would be vacated.

**D. Statutory or Regulatory Change**

None required.

**E. Administrative Impact**

This alternative would require staffing moves and office relocations and/or remodeling.

**F. Fiscal Impact****1. Cost Impact**

See Exhibit 3. Costs are estimates based on information available at the time this paper was prepared.



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## **2. Revenue Impact**

No direct revenue impact.

## **G. Taxpayer/Customer Impact**

Standardized policies and procedures for investigations would allow for more uniform investigations.

## **H. Critical Time Frames**

This issue needs to be decided as soon as possible in order to obtain the desired organizational benefits.

# **VII. Alternative 2**

## **A. Description of the Alternative**

This alternative would leave all staff in the facilities in the locations they currently occupy, in Riverside and Torrance at their current classification, either audit or compliance. All staff would report to the Chief of the Investigations Division.

## **B. Pros of the Alternative**

1. No staff would have to change location.
2. All staff would remain at their current level.
3. No additional space needs to be leased or modified.
4. Additional costs would be non existent.
5. Staff who do not want to commute to the Norwalk office will be accommodated.

## **C. Cons of the Alternative**

1. Utilization of audit and compliance classifications creates workload issues regarding the types of work each classification can do, does not recognize the unique work done by this staff and may cause recruitment problems in the future.
2. Current staff is co-located with SUTD staff. Therefore, highly confidential criminal matters are discussed in an environment where they can be overheard.
3. Staff in Riverside is located on two different floors and there is no space available to consolidate the staff.

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4. The current evidence storage situation in all offices does not meet current Board secure evidence storage requirements. In addition, current storage is not convenient to the respective work areas.
5. Due to the limited workload in the Riverside area and the current number of staff in Riverside, extensive overnight travel would be required for a large portion of staff in the Riverside Office, and thus, additional per diem expense.
6. Current supervisory ratios are not appropriate.

**D. Statutory or Regulatory Change**

None required.

**E. Administrative Impact**

None.

**F. Fiscal Impact**

**1. Cost Impact**

There would be no significant additional cost associated with this alternative.

**2. Revenue Impact**

No direct revenue impact.

**G. Taxpayer/Customer Impact**

Standardized policies and procedures for investigations would allow for more uniform investigations.

**H. Critical Time Frames**

This issue needs to be decided as soon as possible in order to obtain the desired organizational benefits.

**VIII. Alternative 3**

**A. Description of the Alternative**

This alternative would have one office in Norwalk that would serve the Southern California area. The Norwalk office would have approximately 27 positions, utilizing the new series classification of Investigations Specialist and Supervisors, and an area administrator with support staff. No staff would be involuntarily transferred. If staff did not wish to transfer to the new office, he or she would return to the SUTD district office at the same classification. This was the proposal dated May 13, 1999, which was previously presented to the Board (Exhibit 1).

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**B. Pros of the Alternative**

1. Would require the least staff.
2. The Investigations Specialist classification would promote a cohesive unit, even workload distribution, and recognize the unique type of work being performed by this staff.
3. Would provide for better supervisory coverage and staff communication.
4. Provides facilities that would be built to meet the needs of the Investigations Division. This would solve the facilities issues regarding access, evidence storage, confidentiality, etc.
5. All facilities costs would be amortized in the lease payments over the life of the lease.
6. An Investigations Specialist classification will allow the staff greater flexibility in performing their duties. This will result in a better utilization of the limited law enforcement resources under contract.
7. Norwalk is centrally located in Los Angeles County and provides the most personnel flexibility and best case coverage.

**C. Cons of the Alternative**

1. Would require the movement of the staff and the cost associated with that movement.
2. Some staff may not want to transfer to the new division and would remain in the districts.
3. Some currently leased space in Torrance and Riverside would be vacated.
4. New lease costs would be incurred.

**D. Statutory or Regulatory Change**

None required.

**E. Administrative Impact**

This alternative would require staffing moves and office relocations.

**F. Fiscal Impact**

**1. Cost Impact**

See Exhibit 3. Costs are estimated based on information available at the time this paper was prepared

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**2. Revenue Impact**

No direct revenue impact

**G. Taxpayer/Customer Impact**

Standardized policies and procedures for investigations would allow for more uniform investigations.

**H. Critical Time Frames**

This issue needs to be decided as soon as possible in order to obtain the desired organizational benefits.

Prepared by: Investigations Division

Current as of: November 5, 1999

Report on the  
Proposed Staffing and Organization  
of the  
Investigations Division

Prepared by:  
Monte Williams

May 13, 1999

# SUMMARY

## SCOPE

This project was to review the current Board of Equalization (BOE) investigations structure and determine the optimal Staffing and Office Needs for the new Investigations Division.

## METHODOLOGY AND ASSUMPTIONS

The process used to review current investigation functions and determine the new Investigations Division's organizational structure and staffing addressed the elements of workload by area and location, unmet needs and other areas affecting workload. Both statistical information and information obtained from interviews with staff were used. This information was reviewed with the assumption that BOE wants the most professional job possible with the best staff available and to minimize the need for outside law enforcement costs.

## BACKGROUND

This review was based on the findings in the POST study which recommended that there be only one division that conducted external criminal investigations for the BOE. Elements of the recommendations herein adhere to the spirit of the POST study.

## FINDINGS

It was found that in addition to the actual workload directly relating to investigations, there were other tasks and duties that need to be addressed to ensure the division operates in the most effective, professional and efficient manner possible. Some of these items are:

- Training.
- Computer forensics.
- Better communication and interaction with the districts and program areas.
- Evidence storage and accountability.
- Audit and compliance work assignments.

Each of the above areas is addressed in the following pages. However, even with the staff required to meet these needs, the total staffing for the division will be less than the current total staff dedicated to the investigative function. This reduction is due to the economies of consolidation, standardization of procedures and consistencies of training that will occur with a single division and reporting structure.

## RECOMMENDATIONS

It is recommended that the staff of the new Investigations Division total 55 and the division operate from two offices, one located in Sacramento and another in Norwalk.

## SCOPE

This project was to review the current BOE investigations structure, processes and procedures and determine the optimal staffing needs and office locations for the new Investigations Division.

## BACKGROUND

The BOE contracted with the Commission on Peace Officer Standards and Training (POST) to conduct a management review of its four investigative programs, Internal Security and Audit Division, Special Investigations Section, Fuel Taxes Investigation and Enforcement Section, and the Cigarette Tax Enforcement Team. The purpose of this study was to assess the organizational structure and operations of the BOE's investigative functions to ensure their ability to perform high-quality and effective investigations in the most efficient manner possible. The POST review was focused, but not limited, in scope to the following areas:

- Identify functions of investigative units.
- Review evaluations and recommendations regarding the present organizational structure of the investigative units.
- Staffing, present and recommended, including supervisory and management positions.
- Review existing policies, procedures and investigative practices and techniques.
- Current training, equipment, workload and evidence-handling practices.

Based on their review, POST recommended that the Internal Security and Audit Division remain a separate division. POST also developed a series of recommendations that would benefit the BOE's three remaining investigative units. Their recommendations were broken down into five areas: Organization, Policy and Procedures, Training, Property and Evidence, and Facilities and Equipment. When these recommendations are considered in their entirety, they provide the BOE with a foundation and structure for an effective and efficient tax fraud investigation program. This report focuses on the elements of staffing and organization.

POST found that there were confusing structures and lines of authority which govern the way existing investigations are conducted. In addition, there are varying philosophies and different investigative policies and procedures among the individual units and their managers. To compound this situation, there are a variety of approaches to conducting the BOE's investigative work, and the three investigative sections (Sections) do not share information or appear to work cases jointly when merited. As a solution to part of the identified problems, POST recommended that there be one Investigations Division to handle all external criminal tax evasion cases. By establishing an investigative division that reports directly to the Director, many of the present chain-of-command and structural issues can be resolved. This restructuring will result in increased efficiency and effectiveness of the BOE's investigative functions. The BOE agreed with this recommendation.

## METHODOLOGY AND ASSUMPTIONS

The process used to review the current investigation functions and determine the new Investigations Division's staffing and organizational structure covered the following areas:

- Historical information relative to the number of cases worked by each section.
- Average number of cases and hours.
- Location of the workload.
- Unmet needs and workload.
- Other factors that could impact workload such as current office locations and space availability.

In addition to the statistical information, interviews were conducted with the current staff and supervisors that work in these areas for any workload that was considered to be criminal but was not currently being addressed by the three Sections. Also explored were possible improvements in processes and procedures and other information relevant to the reorganization.

Several assumptions have been made in order to properly address this entire issue of tax evasion of BOE administered tax programs. These assumptions are:

- The BOE wants to do the most professional job possible with the best staff available.
- The need for assistance from law enforcement will always exist to some extent.
- While law enforcement assistance is required, there are no law enforcement agencies charged and funded to dedicate the resources needed to conduct the criminal investigations and prosecutions of tax evasion for BOE administered tax programs.

## FINDINGS & RECOMMENDATIONS

**Workload (cases and hours)** - The historical case workload was obtained for all three Sections to evaluate it for several factors, including number of cases, hours per case and location of case. Each of the three Sections maintained the information in varied content and format. After reviewing the available information, a separate database was established with the minimum information needed from the three Sections to evaluate the investigation workload for purposes of this project.

A review of the consolidated information indicated that periods prior to 1998 were not conducive to evaluation of the workload. This was due to several factors such as how each of the Sections maintained information, what criteria was used to define a case, and the number of items shown as cases that were closed without any hours. This indicated that many of the pre-1998 assignments were not cases and could skew the outcome of the review. Consequently, the 1998 information was felt to provide the best historical look at the external investigative workload.

From this review, the historical workload for investigations was estimated to be 212 cases per year. The average hours for each case was found to be 142 investigative hours. In addition, there are currently 263 tips/leads/complaints that the three Sections have not been able to evaluate because of workload priorities, current staffing levels, etc. These tips/leads/complaints/ continue to come in daily and are expected to increase with rising tax rates and the financial incentive for evasion.



Assuming only 20% of these tips/leads/complaints would result in viable cases, the average number of cases per year increases to 265. This number is considered conservative given prior experience and the fact that other recommendations in this report could also increase this number.

**Recommendation:** The staff for the Investigations Division should include 26 Investigator positions (Exhibit A for details) and the necessary support staff and supervisors. Total staffing will be discussed later in this report.

This review also covered areas that impact the workload but have never been fully addressed in the investigations area. Most, if not all, of these items were not known when the Sections were formed. As such, these areas need to be considered now.

**District Referrals -** The district referrals for sales tax evasion have been spotty and inconsistent. This is due to unclear guidance in this area for the district and program staff. There is no standard operational procedure and training for the district/program staff to recognize what constitutes criminal fraud, what to do if they think they have found criminal fraud, and who to refer it to. It is anticipated this workload should increase with training and procedures for the district and program staff.

**Recommendation:** Prepare an operations memorandum that will outline what constitutes criminal fraud; the procedures which must be followed if criminal fraud is indicated; how to refer a case to the Investigations Division; and what will happen with the referral. In addition, a training class should be developed to give to district/program audit and compliance staff which covers this information with an emphasis on identification. With a standard referral system and training, district staff can determine if a case is a potential criminal case. In addition, districts will not be using resources on criminal cases that could be better used in productive civil audits.

**Computer Forensics -** This area was not considered when the three Sections were formed. The reliance on computers for business purposes has increased dramatically in the last four years. Today, computer forensics is an essential part of the investigative process and is essential to a successful prosecution. Computers are seized in nearly all of the sales and use tax cases and in many of the fuels and cigarette cases. This requires someone with specific knowledge of this type of work and the ability to retrieve information that can be used in the prosecution of tax evaders, maintain the chain of evidence, and who can testify in court. Review of this workload in the current offices indicates that this is a full time job at each location. For example, there are approximately 30 computers that have been seized and are in evidence in current cases. Each of these must be worked and the information found and extracted in order to complete the audit and case.

**Recommendation:** One full time person in each of the Investigations Division field offices should be assigned the task of computer forensics. This will allow for application of consistent procedures, training and the ability to bring cases to conclusion in a more timely manner.

**Evidence** - The need for secure types of evidence storage and individuals to act as custodians is essential to the success of any criminal investigation. Due to the size of the evidence seizures made, which consists of product and records, no law enforcement agency has facilities for this type of storage. Therefore, the BOE must maintain its own evidence storage. With this comes the entire process of maintaining the chain of evidence. Without proper procedures, prosecution can fail due to the chain of evidence being broken.

**Recommendation:** Each field office should have a separate evidence storage location and one person dedicated as the evidence custodian. This will allow for consistent procedures and control of evidence as required for criminal cases.

**Audits and Collections** - These areas have not been specifically addressed in the organizational structures of the current investigative sections. The basis of the criminal prosecution is the act itself and the amount of tax evaded. The audits establish the amount of tax evaded and have been handled in different ways depending on the section, circumstances and availability of staff. In some cases, the audit and billing were completed by the Section staff; in other cases, the audit and the billing was completed by district/program staff; and in other cases, it was a combination of Section and district staff. Collections were worked to some extent by the Sections and program staff did the remainder of the work. This situation creates some problems as each individual section/unit's responsibilities were not clearly delineated. In order to be properly addressed in the overall scheme of a complete criminal and civil system of dealing with tax evasion and protecting the state's interest, the audits and subsequent collection functions need to be clearly defined. Staffing needs to reflect the need for investigations but also these two important functions.

**Recommendation:** With some exceptions, the Investigations Division will conduct the audits of the persons being investigated. This will allow one person to be responsible for the entire audit process. Once there is a final liability, the item will be referred back to the district/program staff for collection. This will provide for a clear distinction as to Investigations Division and district/program staff responsibility.

**Training** - This area is increasingly important if the staff is to be effective. The training received by each of the three Sections was found to be different and lacked consistency as to what was required and provided. In order for the staff to be as effective as possible and understand their duties, a consistent training plan dedicated to the needs of Investigations Division staff is needed. This will assure that all staff are receiving the appropriate training which will protect not only the staff and BOE, but the taxpayers as well. It will also help in their standing in the law enforcement community, as they will be more knowledgeable in their duties. The consolidation of the Sections will allow this to happen.

**Recommendation:** Establish a divisional training coordinator which will develop a standard training plan for the investigative staff and will assure that the staff is keeping to the training plan for both first time and refresher courses.

#### STAFFING ESTIMATE

Currently there are approximately 62 personnel years (PYs) of effort being expended in the enforcement area in the BOE. These PYs are a combination of positions established by Budget Change Proposals and baseline resources. This review of the current workload, anticipated increase in work, efficiencies and standardized procedures and support functions needed for investigations indicates the need for 55 positions in the Investigations Division. We believe this is a conservative estimate which will allow the division to be staffed at a level that will meet workload requirements, and handle the largest and most immediate cases. In addition, this staffing level will allow for proper startup and ongoing support functions and training to keep the staff informed and working at the most efficient and professional level. The intent of the division is to investigate and prosecute only felony tax evasion cases. This staffing level will allow for this. It is also proposed there be a review of the varying staffing levels in fiscal year 01/02. This will allow the program to be running for a period of time and then determine if the staffing levels are appropriate for the workload.

*See Exhibit B, C for details of the proposed staffing structure.*

#### OFFICE LOCATIONS

The following information was taken into consideration in reviewing possible locations for offices in the state:

- Workload location
- Travel requirements
- Staff locations
- Current BOE office locations
- Ease of travel from different locations

A review of the historical and projected workload indicates the evasion is spread throughout the state with some obvious concentrations in high population areas. Exhibit D shows the number of closed cases by county for 1998. As indicated earlier, the calendar year 1998 was chosen as the base year as this is the latest complete yearly information and is the most indicative of current workload. The analysis of 1998 closed cases indicates that approximately 60%-65% of the workload is in the Southern part of the state and 35%-40% is in the Northern part of the state. It also shows that approximately 30% of the workload is in Los Angeles and Orange Counties. In addition, case referrals from district offices and current inventories of unworked cases/complaints were reviewed.

Per diem for travel is now estimated at \$665 per week per person. The most centrally located office will allow for the most daily travel and the least per diem travel. For example, if the location of the office reduced two weeks of per diem travel per year for 15 investigators, that would be a savings of nearly \$20,000.

Also reviewed were the types of cases that were completed in the past and are being worked now. This review indicates that the cases are becoming larger and more sophisticated and will require more hours to conclude.

For the location of an office in the Los Angeles area, we used the locations of the district offices of Norwalk, Torrance, Industry, Culver City and Riverside to evaluate the caseload

in the Los Angeles area. Staff analyzed each location reviewing the number of cases worked within a forty mile radius of the location, the ease of travel to places (e.g., freeway locations in all directions), and ease for staff to get to the office given they currently reside throughout the county. In addition we estimated which location would have the least amount of overnight per diem travel based on the forty mile radius. Each location was rated accordingly. The following chart illustrates each location and the points used to rate the sites.

| Office Location | Least Per Diem Travel | High Caseload | Ease of Travel | Ease on Staff | Total |
|-----------------|-----------------------|---------------|----------------|---------------|-------|
| Norwalk         | 4                     | 4             | 5              | 4             | 17    |
| Torrance        | 2                     | 2             | 3              | 2             | 9     |
| Industry        | 4                     | 2             | 5              | 4             | 15    |
| Culver City     | 2                     | 4             | 3              | 2             | 11    |
| Riverside       | 1                     | 1             | 2              | 2             | 6     |

Worst.....Best  
**Rating**      **1**      **2**      **3**      **4**      **5**

#### LOCATION SUMMARY

Based on this analysis, staff is recommending that there be two locations for the Investigations Division in California. One location should be located in Sacramento which will include the field office and the headquarters staff. A second location should be located in the Norwalk area in Los Angeles County. The reasons for these choices are as follows:

- Sacramento will allow for coverage of the state from approximately Fresno to the northern border with Oregon.
- Norwalk is centrally located in Los Angeles County and provides the least travel time to reach the most cases. This will minimize the amount of per diem travel expenses since more cases can be worked without overnight travel.
- Norwalk allows for easy access to all directions for casework that is outside of the daily type travel area.
- Norwalk is the best location for work and staff purposes.
- Depending on further analysis, it may be possible to utilize existing state office space at each location.

#### SUMMARY

BOE staff believe that given the current and anticipated workload, these recommendations will provide the BOE with as effective an Investigations Division as possible given the size of this state, the number of tax programs, and the fact that law enforcement must be relied upon for some functions. It will give the staff one management philosophy and one set of procedures, which will allow the staff to operate as one team. Staff will continually review all phases of this operation in order to make recommendations for improvement.

**PY's Required for Investigations**

|                                  |               |
|----------------------------------|---------------|
| Avg Historical Cases Per Year    | 212           |
| Unworked Items (20% of 263)      | <u>53 (1)</u> |
| Total Average Cases              | 265           |
| Average Hours Per Case           | <u>146</u>    |
| Total Annual Investigative Hours | 38,632        |
| Annual Hours Per PY              | <u>1440 *</u> |
| Required PY's for Investigations | <u>27</u>     |
| Requested                        | <u>26</u>     |

**PY Hours Available for Investigations**

|                                   |                |
|-----------------------------------|----------------|
| Hours Available                   | 2080           |
| Less: Vacation @ 3 wks            | 120            |
| Sick @ 1 wk                       | 40             |
| Training @ 3 wks                  | 120            |
| Hours not on Inv. (20%)           | <u>360 (2)</u> |
| Time Available for Investigations | <u>1440 *</u>  |

**Notes:**

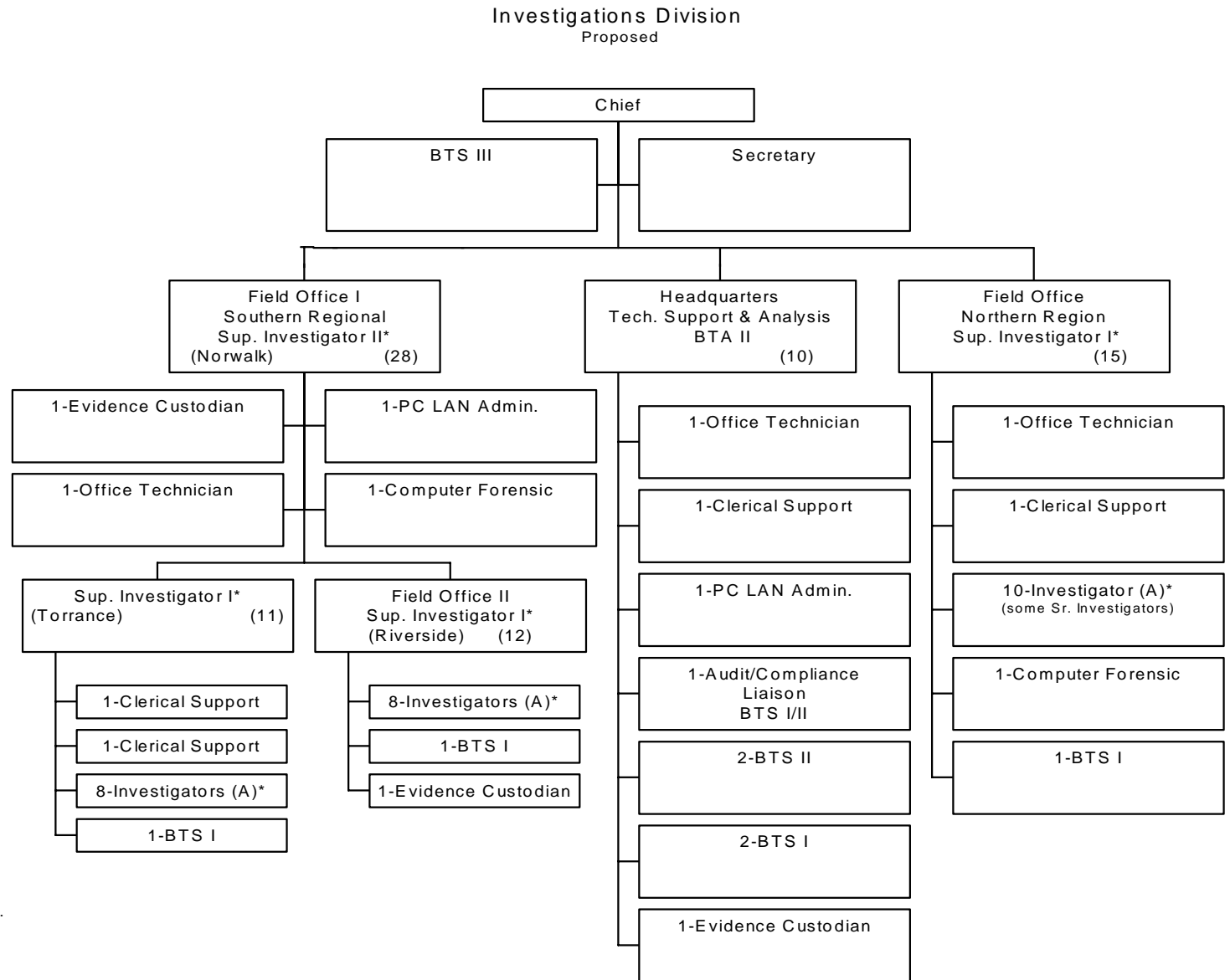
- (1) This represents 20% of the total unworked tips/complaints/leads that would turn into cases.
- (2) This is the time spent on tips/complaints/leads to determine if they warrant case status and misc other duties.

**Proposed Staffing for Investigation Division**

| <b>Position</b>        | <b>Level(1)</b> | <b>HQ<br/>Number</b> | <b>Tech S&amp;A<br/>Number</b> | <b>FO(1)<br/>Number</b> | <b>FO(2)<br/>Number</b> | <b>Total PYs</b> |
|------------------------|-----------------|----------------------|--------------------------------|-------------------------|-------------------------|------------------|
| Chief                  |                 | 1                    |                                |                         |                         | 1                |
| Secretary              |                 | 1                    |                                |                         |                         | 1                |
| Office Supervisor      |                 |                      | 1                              | 1                       | 1                       | 3                |
| Crew Supervisor        |                 |                      |                                | 2                       |                         | 2                |
| OT                     |                 |                      | 1                              | 1                       | 1                       | 3                |
| Clerical               |                 |                      | 1                              | 2                       | 1                       | 4                |
| Inv. Range A, B, C (1) |                 |                      |                                | 16                      | 10                      | 26               |
| Sr. Investigator (1)   |                 |                      |                                |                         | 0                       | 0                |
| PC/LAN Coordinator     |                 |                      | 1                              | 1                       |                         | 2                |
| Audit/Comp Liasion     |                 |                      | 1                              |                         |                         | 1                |
| Evidence Custodian     |                 |                      |                                | 1                       | 1                       | 2                |
| Computer Forensics     |                 |                      |                                | 1                       | 1                       | 2                |
| BTS III                |                 | 1                    |                                |                         |                         | 1                |
| BTS II                 |                 |                      | 2                              |                         |                         | 2                |
| BTS I                  |                 |                      | 2                              | 2                       | 1                       | 5                |
|                        |                 |                      |                                |                         |                         |                  |
| <b>Totals</b>          |                 | <b>3</b>             | <b>9</b>                       | <b>27</b>               | <b>16</b>               | <b>55</b>        |

(1) Levels will be determined when classification study for Investigator Series is complete.

Total – 56 Positions



\*This classification is being submitted for approval.

## Investigations Division

### 1998/99 Closed Cases by County

1998/371    1999/423





**Southern California Employee Survey Results  
(Enforcement Sections Only)**

We have compiled the results of the survey we took of the southern California employees currently working in the enforcement area. A copy of a blank survey form is attached.

The results of that survey are below in summary format.

| Office                 | Willing to Commute<br>To Riverside |    |               | Willing to Commute<br>To Norwalk |    |               | Would Pmt of<br>Relocation Exp.<br>Change Your Ans? |    |
|------------------------|------------------------------------|----|---------------|----------------------------------|----|---------------|---|----|
|                        | Yes                                | No | Don't<br>Care | Yes                              | No | Don't<br>Care | Yes   | No |
| Riverside - SIS        | 7                                  | 0  | 2             | 3                                | 5  | 1             | 0   | 6  |
| Riverside - FTIES      | 9                                  | 1  | 0             | 5                                | 3  | 2             | 1   | 4  |
| <b>Total Riverside</b> | 16                                 | 1  | 2             | 8                                | 8  | 3             | 1   | 10 |
| Torrance - SIS         | 1                                  | 6  | 1             | 6                                | 1  | 1             | 1   | 6  |
| <b>Grand Total</b>     | 17                                 | 7  | 3             | 14                               | 9  | 4             | 2   | 16 |

## So. California Investigation Division Office Costing

|                   | Alternative 1 | Alternative 2 |            |            | Alternative 3 | Staff Recommendation |           |            |
|-------------------|---------------|---------------|------------|------------|---------------|----------------------|-----------|------------|
|                   | One           | Current (5)   |            |            | One           | Two Locations (1)    |           |            |
|                   | Location(2)   | Torrance      | Riverside  | Total      | Location(2)   | Norwalk              | Riverside | Total      |
| One Time Costs    | \$ 133,100    | \$ -          | \$ -       | \$ -       | \$ 133,100    | \$ 83,300            | \$ 50,000 | \$ 133,300 |
| Ongoing - Lease   | \$ 176,904    | \$ 41,555     | \$ 129,765 | \$ 171,320 | \$ 176,904    | \$ 112,812           | \$ 84,645 | \$ 197,457 |
| Ongoing - Telecom | \$ 13,200     | \$ 4,400      | \$ 8,800   | \$ 13,200  | \$ 13,200     | \$ 7,400             | \$ 5,800  | \$ 13,200  |
| Total Ongoing     | \$ 190,104    | \$ 45,955     | \$ 138,565 | \$ 184,520 | \$ 190,104    | \$ 120,212           | \$ 90,445 | \$ 210,657 |

**Adjustments (1st Year)**

|                             |            |   |   |            |            |  |  |            |
|-----------------------------|------------|---|---|------------|------------|--|--|------------|
| Riverside - SIS (3)         | \$ 45,120  |   |   |            | \$ 45,120  |  |  | \$ 45,120  |
| Riverside - FTIES & Storage | \$ 84,645  |   |   |            | \$ 84,645  |  |  |            |
| Torrance - SIS (3)          | \$ 38,189  |   |   |            | \$ 38,189  |  |  | \$ 38,189  |
| Fullerton Storage           | \$ (3,366) |   |   |            | \$ (3,366) |  |  | \$ (3,366) |
| Total Adjustments           | \$ 164,588 | 0 | 0 | \$ -       | \$ 164,588 |  |  | \$ 79,943  |
|                             |            |   |   |            |            |  |  |            |
| Net Amount Per Plan         | \$ 354,692 |   |   | \$ 184,520 | \$ 354,692 |  |  | \$ 290,600 |

**Adjustments (After 2nd Year)**

|                                 |             |   |   |            |             |  |  |            |
|---------------------------------|-------------|---|---|------------|-------------|--|--|------------|
| Riverside - FTIES & Storage (4) | \$ (84,645) |   |   |            | \$ (84,645) |  |  | \$ -       |
|                                 |             |   |   |            |             |  |  |            |
| Net Costs after 2nd Year        | \$ 270,047  | 0 | 0 | \$ 184,520 | \$ 270,047  |  |  | \$ 290,600 |

## Notes:

- (1) This assumes that we are utilizing the current FTIES space and the current storage areas in Riverside, both of which will require remodeling. The \$50,000 one time costs for Riverside are the estimated remodeling costs.
- (2) Assumes that there is one Southern California Office and it is a new lease.
- (3) This space cannot be backfilled as it is in an area contiguous with the district office staff.
- (4) This area could be backfilled and the lease costs would not then be the responsibility of the Board. This assumes the area will be backfilled within one year.
- (5) These costs do not reflect the costs to bring the location up to needed requirements. For Torrance, this is not possible as the space needed is not available. Therefore, this office configuration is not considered feasible.

